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Central Intelligence Agency

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Washington, D.C. 20505

8 FEB
1984

MEMORANDUM FOR: Assistant to the President for
National Security Affairs

SUBJECT: Crisis Planning Notice--
Persian Gulf; Intelligence Update

Attached is a CIA assessment of the Iran-Iraq war and the threat to Persian Gulf oil supplies in response to the Crisis Planning Notice of 2 February. We will update this assessment prior to the scheduled 24 February meeting if desired.

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[Redacted]
Robert M. Gates
Deputy Director for Intelligence

Attachment

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7 February 1984

SUBJECT: Crisis Planning Notice--Persian Gulf;
Intelligence Update

1. We believe the warning contained in SNIE 34/36-2-83, October 1983, that the Iran-Iraq war might spread and threaten Persian Gulf oil supplies remains valid. Both sides are now threatening new attacks on civilian and economic targets and there are persistent reports that Iran is preparing a new offensive. We believe the ground fighting and air war will intensify over the next two months and the risk of the war spreading to new targets in the Gulf will increase as a consequence.

- The SNIE predicted a series of intermediate escalatory steps by Iraq to increase military pressure on Iran, possibly culminating in Iraqi attacks on Iran's Khark Island oil terminal, and Iranian retaliation against oil exports from Arab Gulf states.
- Since the SNIE we have seen:
 - A buildup of Iraqi airpower in southern Iraq nearer the Gulf.
 - Delivery to Iraq of the five Super Etendard aircraft armed with Exocet missiles; we can not confirm earlier reports that the aircraft have been moved south from their base at Qayyarah in northern Iraq. Iraq has also taken delivery in France of the first of its Mirage F1 aircraft configured to carry Exocets.
 - Intensified Iraqi air and missile attacks on Iranian shipping to Bandar e Khomeini and on Iranian cities.
 - Warning from several sources that Iran is preparing for a new ground offensive.
 - Intensification by Iraq of its rhetoric of escalation if Iran launches any new offensive.
 - Iranian attempts to buy additional naval mines from Italy.

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The War

2. The war is stalemated and ground fighting in a lull. Neither party is close to achieving its objectives. Both sides are recalculating options. We may face another turning point this spring. [REDACTED]

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3. Iraq is a well equipped but reluctant warrior.

- Presently, Baghdad is pursuing a combination of diplomatic initiatives and military threats in a search for ways to gain more oil revenues or to end the war.
- For example, Baghdad's naval commander warned in late January that any ship--even supertankers--bound for Khark could be attacked. Two days later Baghdad claimed that Iraqi naval and air units attacked and damaged eight ships near Bandar e Khomeini.
- Iraqi aircraft overflowed Tehran and other Iranian cities on 26 January, demonstrating to the Iranians the vulnerability of their cities to future attack.
- Iraq, this week, publicly threatened attacks on ten designated Iranian cities, prompting Iranian threats to retaliate against Iraq's industrial targets and its foreign supporters.
- Should diplomacy and threat fail, we believe Baghdad will carry through on its threat to escalate the fighting. Iraqi military action, however, will continue to be closely linked to diplomacy. [REDACTED]

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4. For its part, Iran continues to reject all attempts at mediation and seems intent on pursuing its war of attrition until President Saddam Hussein is overthrown.

- Iran probably lacks the military forces to achieve a decisive military victory.
- The Iranians, however, have taken steps in recent weeks that could lead to significant military escalation in the near future.
- They have intensified training and redeployed some of their forces for what could be major attacks in the central area and near Basrah in the south.
- Reliable sources report that Iraq will attack oil facilities inside Iran and on Khark Island in the event of such an Iranian offensive. The Iraqis have publicly threatened to attack Iranian cities with missiles and bombs in retaliation. We believe Baghdad is serious. [REDACTED]

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5. The chart shows the current equipment inventories of both sides, giving some idea of their capabilities if the war heats up.

-- We judge that less than half the equipment listed in the Iranian column is actually operational.

-- Iraq has nearly a three-to-one advantage in armored vehicles, a two-to-one edge in artillery, and a better than six-to-one advantage in operational combat aircraft.

-- We expect the equipment gap in Iraq's favor to continue to widen in 1984.

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6. Since mid-1983 Iran has been waging a war of attrition; launching relatively small offensives into Iraq at Haj Umran in July, Mehran in August, and at Panjwin in October and November.

-- Iran is attempting to keep the military pressure on Iraq, stir up trouble in Iraqi Kurdistan, and wait for Iraq's economic difficulties and Iranian subversion to bring down Saddam Hussein.

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7. Iraq's financial problems? Despite recent talk of new pipelines, Iraq's economic situation probably remains a factor pushing toward escalation. The economic problem may have stabilized or bottomed out, but we see no improvement in 1984.

-- Two of Iraq's three oil export outlets remain closed.

-- Iraq's Persian Gulf oil loading terminals were knocked out early in the war, and in 1982 Syria closed the 1.2 million barrels per day Iraqi pipeline through Syria.

-- As a result, Iraqi oil exports are limited to some 800,000 barrels per day through the Turkish pipeline and another 50,000 barrels per day trucked through Jordan and Turkey.

-- In 1980 Iraq earned \$25 billion from oil sales; in 1983 Iraq earned about \$8 billion. To cope Baghdad has had to slash imports severely, defer \$1-2 billion in payments owed foreign companies, and press its Gulf Arab allies for additional help.

-- Direct Gulf aid, however, declined from \$5.5 billion in 1982 to \$1.5 billion in 1983. The unfinanced deficit in 1983 was about \$4 billion. Baghdad covered the \$4 billion difference by drawing down its foreign exchange reserves.

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- Iraq's reserves have fallen from about \$31 billion before the war to \$4-5 billion at present.
- Arab sale of oil on Iraq's behalf is estimated at from 200,000 to 300,000 barrels per day, producing \$2 to 3 billion in revenues. While providing Baghdad with the means to purchase essential imports, these revenues have been accompanied by the decline in direct Gulf aid, which we see this year as not going above the \$1.5 billion of last year. A major Iraqi concern must be that it does not have nearly the reserves cushion to fall back on as it did in 1983. [REDACTED]

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8. Iraq's solution?

- Iraq's strategy since late last year has been to threaten to escalate the conflict in the Gulf unless there soon is movement either toward peace or a resolution of Iraq's economic dilemma.
- Iraq probably is overstating its desperation for the sake of impact, but Iraq's dilemma, in any case, is a serious one.
- To relieve the economic pressure, Iraq has explored oil pipeline construction deals with Jordan and with Saudi Arabia. Both governments have agreed in principle-- Jordan eagerly, Saudi Arabia reluctantly.
- Neither pipeline option in our judgment could pay off in additional revenues before next year under the best circumstances.
- Beginning construction, however, would allow Iraq to reassure its creditors that a solution is at hand. [REDACTED]

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9. It is important to remember that Iraqi perceptions are driven by factors other than economic. War weariness of the population and Saddam Hussein's political calculations about his security, his military, and the steadfastness of his allies contribute. For example, Saddam has threatened, very explicitly, a sharp escalation of the fighting if Iran launches a new offensive. The escalating rhetoric on both sides is sharpening the dangers. [REDACTED]

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10. The military options? Iraq's military options remain as described in the October SNIE. Iraq can strike at Iran's oil exports by:

- hitting mainland facilities that serve Khark Island;
- attacking Khark Island itself--through which 90 percent of Iran's oil exports flow;

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-- attacking tankers near Khark. [REDACTED]

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11. The first two options hold little attraction for Baghdad.

-- Even if critical mainland facilities were knocked out, gravity would keep the oil flowing at rates well above Iran's current exports of 1.9 million barrels per day.

-- Moreover, Khark was built to export over 6 million barrels per day. With Iranian oil exports at less than 2 million barrels per day there is great redundancy in facilities on the island.

-- Direct air attacks on Khark Island would probably result in heavy aircraft losses.

-- Khark is heavily defended by Hawk surface-to-air missiles and antiaircraft guns. The Iranians also have fighter aircraft nearby at Bushehr Air Base.

-- Iraq has 16 medium bombers which could be used to carpet bomb the island.

-- Iraq also has Scud-B missiles with the range to hit Khark. The Scud carries a warhead of approximately 2,000 pounds.

-- Reports from some diplomats that the longer range Soviet SS-12 was seen in Iraq have not been confirmed. We doubt that Moscow would give this weapon to Iraq. [REDACTED]

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12. Iran's response.

-- Should Iran decide to retaliate in the Gulf it has numerous options, as discussed in detail in the SNIE.

-- Iran has the capability to harass shipping in the Gulf using either its Navy or the Air Force as a warning to the West that Iraq must be restrained.

-- Attacks on Kuwait are a good possibility, in part, because they might not interfere with oil exports from the lower Gulf and, thus, would avoid Western intervention.

-- Iran also has the capability to mount sabotage or commando raids against oil facilities in the lower Gulf. Iran has sympathizers in these states, at least some of whom have received paramilitary training in Iran. The Iranians also used seaborne commandos early in the war to knock out Iraq's offshore loading platforms; Iran is capable of carrying out similar operations against the other Gulf states.

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- Although we estimate that Iran has only 70 operational fighter aircraft remaining, Iranian aircraft are based so close to Gulf oil facilities that some aircraft would penetrate Gulf air defenses.
- Finally, Iran has the capability to blockade or mine the Strait of Hormuz so long as its actions are not contested by Western navies.
- An Iranian announcement that the Strait had been mined, whether or not true, probably would bring tanker traffic to a halt for a time, at least until tanker owners could be reassured that the Strait was free of mines. [REDACTED]

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Outlook

13. We foresee intensification of the war this spring and greater and more effective use of airpower by Iraq. We believe Iran will continue to press the war. Its two main levers are ground offensives relying heavily on infantry, particularly Revolutionary Guards, and subversion and terrorism using Shia sympathizers in the Gulf and elsewhere. [REDACTED]

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14. The perceptions of Iran and Iraq could begin to shift in mid- to late 1984.

- The Iranian military has been living off capital and cannibalization for most of this war. The clerics have been slow to realize the extent to which this would limit their military options as the war dragged on. The battle at Basrah in mid-1982 may have been the high point of Iran's military power. Tehran must, in 1984, more effectively deal with the problem of unreliable arms supply. We do not believe Iran can soon solve this problem.
- Iraq, meanwhile, is compiling a significant advantage in major types of equipment, and the gap is widening. Moreover, Iraq and Jordan may be near a decision to build an oil pipeline exiting Jordan, which could be operational as early as next year. [REDACTED]

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15. Will the widening arms advantage and the prospect of a new oil outlet change Iraqi leaders' calculation of their position in 1984? Iraq's desperation to negotiate might begin to evaporate about the time Iran sees merit in the proposition. At a minimum, Iraq's terms might stiffen. If so, the result could be a condition similar to the Arab-Israeli experience--repeated missed opportunity and a long-term cycle of violence in the Persian Gulf with the tactics and battleground shifting repeatedly. [REDACTED]

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| | Iraq | Iran |
|---------------------------------------|---------|--------------------------------------|
| Army | | |
| Personnel | 500,000 | 235,000 (Plus 215,000 Irregulars) |
| Tanks | 3,100 | 900 |
| APCs | 2,000 | 1,000 |
| Artillery | 1,400 | 775 |
| Air Force/Air Defense | | |
| Personnel | 30,000 | 50,000 |
| Mirage F1 | 45 | F-14 71 |
| Mig-25 | 14 | F-4 85 |
| Mig-23 | 60 | F-5 90 |
| Mig-21 | 250 | (Fewer than 70 operational) |
| Su-20/22 | 92 | |
| Tu-16/22 | 16 | |
| Surface-to-Air Missile (Launchers) | 20,000 | 15,000 |
| SA-2(Launchers) | 100 | Hawk(Launchers) 215 |
| SA-3 | 80 | Rapier 52 |
| SA-6 | 105 | Tigercat 30 |
| SA-9 | 50 | |
| Roland | 12 | |
| Crotale | ? | |
| Navy | | |
| Personnel | 5,000 | 15,000 |
| Destroyers | 0 | 3 |
| Frigates | 0 | 4 |
| Missile Boats | 7 | 11 |

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Iran-Iraq Border, January 1984



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SUBJECT: Crisis Planning Notice--Persian Gulf;
Intelligence Update

TS 84 3340

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Remarks

Please clear any input to NPA
with Acting DCI.

Executive Secretary

2 February 1984

Date

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THE WHITE HOUSE

WASHINGTON

February 2, 1984

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MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF ENERGY
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: Crisis Planning Notice -- Persian Gulf
Situation (TS)

As a result of the 22 December 1983 meeting of the National Security Planning Group (NSPG) on the worsening situation in the Persian Gulf area, the President has decided that the United States Government should prepare contingency plans for active crisis prevention, or in the event of escalation, crisis containment. He has directed, therefore, that a National Plan of Action (NPA) be prepared in accordance with the objectives of National Security Decision Directive (NSDD) 114 and the attached guidance (Tabs A and B). (TS)

You are requested to prepare departmental plans for integration in the NPA, and provide these plans by 8 February 1984. Specific planning responsibilities are indicated in the attached pre-planning guidance. As per the Timetable at Tab B, a CPPG meeting will be held to review these plans on 24 February 1984. (TS)


Robert C. McFarlane

Attachments

Tab A - Crisis Planning Guidance
Tab B - Planning Timetable

cc: The Vice President

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~~TOP SECRET~~TOP SECRETTAB A**Iran-Iraq****Crisis Pre-Planning Guidance****25 January 1984**

The possibility of a crisis in the Persian Gulf significantly affecting U.S. interests, continues as a serious policy concern. National planning efforts to prepare for this possibility have already included a number of agencies and have generated several meetings and publications. The salient policy milestones to date are:

13 October: SNIE 34/36.2-83. "Iran-Iraq War: Increased Threat to Persian Gulf Oil Exports;" outlined the complexity of the problem.

24 October: Crisis Pre-Planning Group (CPPG) meeting; approved planning document, "Readiness to Respond to a Crisis in the Persian Gulf."

26 November: NSPG Meeting: President issued NSDD-114, "US Policy Toward the Iran-Iraq War;" issued as a result of the CPPG.

22 December: National Security Planning Group (NSPG) meeting; presented the issue to the President.

13 January: Establishment of Iran-Iraq Energy Emergency Working Groups to develop an inter-agency plan of action for dealing with any oil emergency resulting from an escalation of hostilities.

December/January: Diplomatic and military consultations with allies and Gulf states; directed by NSDD-114.

A consensus was reached at the NSPG that a Persian Gulf crisis would be more complex than originally outlined in NSDD-114, and that all planning and policies must address that complexity.

Both Iran and Iraq continue to prepare to escalate the war. Most recently, Iraq deployed its Super Etendard strike aircraft to a southern location, thus increasing the likelihood of their use in a variety of Persian Gulf operations. An escalation of the war into the Persian Gulf will likely pose significant dangers to American interests. Because of these potential dangers, it is necessary that we continue to develop and coordinate coherent policies to deal with the situation. Departments and agencies and their responsibilities for this aspect of the planning effort are the following:

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Department of State (Diplomatic Strategy, Plans, and Options and International Energy Policy)
Department of the Treasury (International Financial Strategy, Plans, and Options)
Department of Defense and Chairman, Joint Chiefs of Staff (Military Strategy, Plans and Options)
Department of Energy (Oil Disruption Strategy, Plans, and Options)
Central Intelligence Agency (current intelligence updates and estimates)

The guidance listed below should be based on the full range of possible escalatory actions outlined in SNIE 34/36.2-83 of 13 October 1983, within the requirements established by NSDD-114, and where appropriate, the results of the recent diplomatic and military consultations. All plans should be based on the following:

1. The U.S. interest in the Iran-Iraq War is to see the conflict end as soon as possible and without U.S. military involvement.
2. U.S. policy should be to work to deter an escalation of the war and contain the disruptions if deterrence fails.
3. Regardless of how the Iran-Iraq War develops, the U.S. should use the crisis to strengthen its relationships with the Gulf states.
4. With little possibility of improving relations with the current Iranian regime, the U.S. should use this opportunity to improve relations with Iraq.
5. U.S. contingency plans should identify the political, military, and economic costs of the various options proposed to the President.
6. Events in the region require that U.S. actions be taken to combat terrorism, especially Iranian-sponsored terrorism.

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7. In the event of threatened or actual disruptions of shipping or oil production in the Persian Gulf, U.S. policy should be designed to prevent panic buying and public hysteria at home and abroad and to ensure that military energy requirements are adequately met.
8. The planning process should provide mechanisms to take into account the independently-taken actions and commitments of other affected nations.
9. U.S. policy should prevent, to the degree possible, Soviet exploitation of the situation.
10. U.S. policy should provide mechanisms to ease LDC financial pressures caused by an interruption of Persian Gulf oil exports.

All plans should be completed by 8 February 1984. Additional tasks will be delegated as the development of the National Plan of Action continues. All tasks should be completed as components that will be integrated into the overall National Plan.

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Iran-Iraq Planning Timetable*

Tab B

| STEP | TASK | AGENCY | BEGIN DATE | END |
|-----------------------|---|---|------------|-----------|
| <u>Planning Phase</u> | | | | |
| 1 | Hold Crisis Pre-Planning Group Meeting | CPPG | | Oct. 24 |
| 2 | Issue NSDD on U.S. Policy Toward the Iran-Iraq War | President | | Nov. 28 |
| 3 | Hold NSPG Meeting on Expanded Iran-Iraq War | NSC | | Dec. 22 |
| 4 | Establish Energy Emergency Working Groups | Energy, State | | Jan. 13 |
| 5 | Conduct Political and Military Consultations with States in the Region | State, Defense | Dec. 1983 | Jan. 1984 |
| 6 | Crisis Planning Notice (Planning Guidance) | National Security Advisor | | Jan. 27 |
| 7 | Draft Contingency Plans | Defense, State, CIA, Treasury, Energy | Jan. 27 | Feb. 8 |
| 8 | Review Contingency Plans | NSC | Feb. 8 | Feb. 10 |
| 9 | Draft complementary (public diplomacy, legislative strategy, congressional strategies) plans based upon approved departmental plans (Step 5). | Justice, OMB, NSC, and appropriate legislative affairs and public diplomacy offices | Feb. 10 | Feb. 17 |
| 10 | Integrate NPA | NSC | Feb. 17 | Feb. 22 |
| 11 | Review NPA and make recommendations to SSG | CPPG | | Feb. 24 |
| 12 | Evaluate NPA and make recommendations to President | SSG | | Feb. 27 |
| 13 | Hold NSPG Meeting to review NPA | NSC | | Feb. 29 |

Implementation Phase

Mar. 1

*The timetable assumes events in the region will not compress the schedule.

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